

Buena Vista Charter Township

**Annual Financial Statements
and
Auditors' Report
December 31, 2007**

Table of Contents

| <u>Section</u> | <u>Page</u> |
|---|-------------|
| 1 List of Elected and Appointed Officials | 1 – 1 |
| 2 Independent Auditors' Report | 2 – 1 |
| 3 Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Assets | 3 – 1 |
| Statement of Activities | 3 – 3 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 3 – 4 |
| Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities | 3 – 5 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 3 – 6 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 3 – 7 |
| Proprietary Funds | |
| Statement of Net Assets | 3 – 8 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets | 3 – 10 |
| Statement of Cash Flows | 3 – 11 |
| Agency Funds | |
| Statement of Assets and Liabilities | 3 – 13 |
| Notes to Financial Statements | 3 – 14 |

| <u>Section</u> | <u>Page</u> |
|--|-------------|
| 4 Required Supplemental Information | |
| Budgetary Comparison Schedule | |
| General Fund | 4 – 1 |
| Fire Fund | 4 – 2 |
| Police Fund | 4 – 3 |
| 5 Other Supplemental Information | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 5 – 1 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 5 – 2 |
| Component Unit – Downtown Development Authority | |
| Budgetary Comparison Schedule | 5 – 3 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 5 – 4 |
| Schedule of Indebtedness | 5 – 5 |

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

| | | | |
|--|------------------------------|--|-------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Buena Vista Charter Township | County Saginaw |
| Fiscal Year End December 31, 2007 | Opinion Date May 16, 2008 | Date Audit Report Submitted to State May 30, 2008 | |

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|-------------------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|---|--|--|----------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Yeo & Yeo, P.C. | | Telephone Number 989-793-9830 | |
| Street Address 3023 Davenport | | City Saginaw | State MI |
| Zip 48605 | | | |
| Authorizing CPA Signature  | Printed Name David R. Youngstrom, CPA | | License Number A 262757 |

Buena Vista Charter Township
List of Elected and Appointed Officials
December 31, 2007

Township Board

| | |
|-----------------------|------------|
| Dwayne Parker | Supervisor |
| Barbara A. Montgomery | Clerk |
| Dara Williams | Treasurer |
| Gregory K. Carter | Trustee |
| Robert L. Martin | Trustee |
| Tommie Orange, Jr. | Trustee |
| Gilbert Ritter | Trustee |

Other Officers and Officials

| | |
|--------------------|-----------------------------|
| Martin V. Williams | Township Manager |
| Tracy L. Cormier | Director of Fiscal Services |

Independent Auditors' Report

To the Township Board
Buena Vista Charter Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Buena Vista Charter Township as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Buena Vista Charter Township as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buena Vista Charter Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan
May 16, 2008

Buena Vista Charter Township
Statement of Net Assets
December 31, 2007

| | Primary Government | | | Component Unit |
|--------------------------------------|----------------------------|-----------------------------|----------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 3,612,832 | \$ 312,763 | \$ 3,925,595 | \$ 835,673 |
| Receivables | | | | |
| Taxes | 2,726,000 | - | 2,726,000 | 549,000 |
| Customers | - | 536,366 | 536,366 | - |
| Special assessments | - | 122,033 | 122,033 | - |
| Other | 23,780 | - | 23,780 | - |
| Due from other units of government | 328,878 | - | 328,878 | - |
| Internal balances | 57,955 | (57,955) | - | - |
| Due from primary government | - | - | - | 164,628 |
| Inventories | - | 28,399 | 28,399 | - |
| Prepaid items | 42,019 | 586 | 42,605 | - |
| Restricted assets | | | | |
| Cash and cash equivalents | 42,019 | 918,437 | 960,456 | - |
| Capital assets not being depreciated | 60,000 | 5,906 | 65,906 | 335,515 |
| Capital assets being depreciated | 3,871,625 | 11,214,003 | 15,085,628 | 167,951 |
| Total assets | 10,765,108 | 13,080,538 | 23,845,646 | 2,052,767 |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Statement of Net Assets
December 31, 2007

| | Primary Government | | | Component |
|---|-------------------------|-------------------------|--------------------------|-------------------------|
| | Governmental | Business-type | Total | Unit |
| | Activities | Activities | | |
| Liabilities | | | | |
| Accounts payable | \$ 268,870 | \$ 110,539 | \$ 379,409 | \$ 125,856 |
| Accrued and other liabilities | 93,021 | 175,113 | 268,134 | - |
| Due to component unit | 164,628 | - | 164,628 | - |
| Due to other units of government | 1,131 | - | 1,131 | - |
| Noncurrent liabilities | | | | |
| Due within one year | 113,307 | 578,334 | 691,641 | 11,040 |
| Due in more than one year | <u>3,546,277</u> | <u>3,678,163</u> | <u>7,224,440</u> | <u>77,284</u> |
| Total liabilities | <u>4,187,234</u> | <u>4,542,149</u> | <u>8,729,383</u> | <u>214,180</u> |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 781,666 | 7,412,909 | 8,194,575 | 503,466 |
| Restricted for: | | | | |
| Police training | 42,019 | - | 42,019 | - |
| Debt service | - | 525,955 | 525,955 | - |
| Capital projects | 2,973,945 | 392,482 | 3,366,427 | - |
| Unrestricted | <u>2,780,244</u> | <u>207,043</u> | <u>2,987,287</u> | <u>1,335,121</u> |
| Total net assets | <u>\$ 6,577,874</u> | <u>\$ 8,538,389</u> | <u>\$ 15,116,263</u> | <u>\$ 1,838,587</u> |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Statement of Activities
For the Year Ended December 31, 2007

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---------------------------------------|------------------|-------------------------|--|--|--|-----------------------------|---------------|-------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 958,179 | \$ 263,856 | \$ - | \$ 6,600 | \$ (687,723) | \$ - | \$ (687,723) | \$ - |
| Public safety | 2,760,372 | 210,981 | - | 24,000 | (2,525,391) | - | (2,525,391) | - |
| Public works | 754,678 | 621,638 | - | - | (133,040) | - | (133,040) | - |
| Health and welfare | 1,559 | - | - | - | (1,559) | - | (1,559) | - |
| Community and economic development | 18,900 | - | - | - | (18,900) | - | (18,900) | - |
| Recreation and culture | 394,159 | 109,568 | 15,000 | - | (269,591) | - | (269,591) | - |
| Interest on long-term debt | 46,424 | - | - | - | (46,424) | - | (46,424) | - |
| Total governmental activities | 4,934,271 | 1,206,043 | 15,000 | 30,600 | (3,682,628) | - | (3,682,628) | - |
| Business-type activities | | | | | | | | |
| Sewer | 1,221,635 | 546,714 | - | - | - | (674,921) | (674,921) | - |
| Water | 1,189,306 | 1,126,636 | - | - | - | (62,670) | (62,670) | - |
| Total business-type activities | 2,410,941 | 1,673,350 | - | - | - | (737,591) | (737,591) | - |
| Total primary government | \$ 7,345,212 | \$ 2,879,393 | \$ 15,000 | \$ 30,600 | (3,682,628) | (737,591) | (4,420,219) | - |
| Component unit | | | | | | | | |
| Downtown Development Authority | \$ 198,075 | \$ - | \$ - | \$ - | | | | (198,075) |
| General revenues | | | | | | | | |
| Property taxes | | | | | 2,801,204 | - | 2,801,204 | 528,354 |
| Debt service charges | | | | | - | 605,428 | 605,428 | - |
| State shared revenue | | | | | 930,403 | - | 930,403 | - |
| Unrestricted investment earnings | | | | | 118,634 | 69,606 | 188,240 | 44,071 |
| Miscellaneous | | | | | 98,517 | 16,720 | 115,237 | - |
| Total general revenues | | | | | 3,948,758 | 691,754 | 4,640,512 | 572,425 |
| Change in net assets | | | | | 266,130 | (45,837) | 220,293 | 374,350 |
| Net assets - beginning of year | | | | | 6,311,744 | 8,584,226 | 14,895,970 | 1,464,237 |
| Net assets - end of year | | | | | \$ 6,577,874 | \$ 8,538,389 | \$ 15,116,263 | \$ 1,838,587 |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Governmental Funds
Balance Sheet
December 31, 2007

| | <u>General</u> | <u>Fire Fund</u> | <u>Police Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------|--------------------|--|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 3,465,494 | \$ - | \$ 15,917 | \$ 173,440 | \$ 3,654,851 |
| Receivables | | | | | |
| Taxes | 1,131,000 | 683,500 | 683,500 | 228,000 | 2,726,000 |
| Other | 23,780 | - | - | - | 23,780 |
| Due from other units of government | 328,878 | - | - | - | 328,878 |
| Due from other funds | 328,201 | 102,621 | - | 18,749 | 449,571 |
| Prepaid items | 42,019 | - | - | - | 42,019 |
| Total assets | <u>\$ 5,319,372</u> | <u>\$ 786,121</u> | <u>\$ 699,417</u> | <u>\$ 420,189</u> | <u>\$ 7,225,099</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 268,870 | \$ - | \$ - | \$ - | \$ 268,870 |
| Accrued and other liabilities | 58,421 | - | - | - | 58,421 |
| Due to other funds | 337,553 | - | 48,095 | 5,968 | 391,616 |
| Due to component unit | 164,628 | - | - | - | 164,628 |
| Due to other units of government | 1,131 | - | - | - | 1,131 |
| Deferred revenue | 1,138,793 | 683,500 | 683,500 | 228,000 | 2,733,793 |
| Total liabilities | <u>1,969,396</u> | <u>683,500</u> | <u>731,595</u> | <u>233,968</u> | <u>3,618,459</u> |
| Fund balances | | | | | |
| Reserved for: | | | | | |
| Prepaid items | 42,019 | - | - | - | 42,019 |
| Police training | - | - | 11,954 | - | 11,954 |
| Land acquisition | 2,973,945 | - | - | - | 2,973,945 |
| Unreserved, reported in: | | | | | |
| General fund | 334,012 | - | - | - | 334,012 |
| Special revenue funds | - | 102,621 | (44,132) | 186,221 | 244,710 |
| Total fund balances (deficit) | <u>3,349,976</u> | <u>102,621</u> | <u>(32,178)</u> | <u>186,221</u> | <u>3,606,640</u> |
| Total liabilities and fund balances | <u>\$ 5,319,372</u> | <u>\$ 786,121</u> | <u>\$ 699,417</u> | <u>\$ 420,189</u> | <u>\$ 7,225,099</u> |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
December 31, 2007

| | |
|---|----------------------------|
| Total fund balances for governmental funds | \$ 3,606,640 |
| Total net assets for governmental activities in the statement of net assets is different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 3,931,625 |
| Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds. | 2,733,793 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (34,600) |
| Compensated absences | (310,000) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | <u>(3,349,584)</u> |
| Net assets of governmental activities | <u><u>\$ 6,577,874</u></u> |

Buena Vista Charter Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2007

| | General | Fire Fund | Police Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|--------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 1,304,394 | \$ 695,361 | \$ 695,361 | \$ 233,543 | \$ 2,928,659 |
| Licenses and permits | 186,157 | - | - | - | 186,157 |
| State revenue sharing | 930,403 | - | - | - | 930,403 |
| Other state grants | 16,736 | - | - | - | 16,736 |
| Local contributions | 30,600 | - | - | - | 30,600 |
| Charges for services | 886,316 | 44,506 | 53,396 | 107,957 | 1,092,175 |
| Fines and forfeitures | 150 | - | - | - | 150 |
| Interest income | 108,402 | - | - | 9,973 | 118,375 |
| Other revenue | 24,601 | - | - | - | 24,601 |
| Total revenues | <u>3,487,759</u> | <u>739,867</u> | <u>748,757</u> | <u>351,473</u> | <u>5,327,856</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 784,498 | - | - | - | 784,498 |
| Public safety | 188,064 | 789,997 | 1,516,138 | - | 2,494,199 |
| Public works | 676,460 | - | - | - | 676,460 |
| Health and welfare | - | - | - | 1,559 | 1,559 |
| Community and economic development | 18,900 | - | - | - | 18,900 |
| Recreation and culture | 11,731 | - | - | 323,130 | 334,861 |
| Other functions | 296,494 | - | - | - | 296,494 |
| Capital outlay | 294,940 | 47,059 | 34,419 | - | 376,418 |
| Debt service | - | - | - | - | - |
| Principal retirement | - | 29,992 | - | - | 29,992 |
| Interest and fiscal charges | - | 8,224 | - | - | 8,224 |
| Total expenditures | <u>2,271,087</u> | <u>875,272</u> | <u>1,550,557</u> | <u>324,689</u> | <u>5,021,605</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,216,672</u> | <u>(135,405)</u> | <u>(801,800)</u> | <u>26,784</u> | <u>306,251</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | - | 238,026 | 769,622 | - | 1,007,648 |
| Transfers out | (1,007,648) | - | - | - | (1,007,648) |
| Issuance of debt | 3,254,050 | - | - | - | 3,254,050 |
| Total other financing sources and uses | <u>2,246,402</u> | <u>238,026</u> | <u>769,622</u> | <u>-</u> | <u>3,254,050</u> |
| Net change in fund balance | 3,463,074 | 102,621 | (32,178) | 26,784 | 3,560,301 |
| Fund balance (deficit) - beginning of year | (113,098) | - | - | 159,437 | 46,339 |
| Fund balance (deficit) - end of year | <u>\$ 3,349,976</u> | <u>\$ 102,621</u> | <u>\$ (32,178)</u> | <u>\$ 186,221</u> | <u>\$ 3,606,640</u> |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007

| | |
|--|------------------------------|
| Net change in fund balances - Total governmental funds | \$ 3,560,301 |
| Total change in net assets reported for governmental activities in the statement of activities is different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Depreciation expense | (224,958) |
| Capital outlay | 278,675 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | |
| Property taxes | (127,455) |
| Expenses are recorded when incurred in the statement of activities | |
| Accrued interest | (29,800) |
| Compensated absences | (21,000) |
| Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. | |
| Debt issued | (3,254,050) |
| Repayments of long-term debt | <u>84,417</u> |
| Change in net assets of governmental activities | \$ <u>266,130</u> |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Proprietary Funds
Statement of Net Assets
December 31, 2007

| | Enterprise Funds | | |
|--|------------------|------------------|-------------------|
| | Sewer | Water | Total |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 28,974 | \$ 283,789 | \$ 312,763 |
| Receivables | | | |
| Customers | - | 536,366 | 536,366 |
| Due from other funds | 181,824 | 216,183 | 398,007 |
| Inventories | - | 28,399 | 28,399 |
| Prepaid items | 586 | - | 586 |
| Total current assets | <u>211,384</u> | <u>1,064,737</u> | <u>1,276,121</u> |
| Noncurrent assets | | | |
| Restricted assets | | | |
| Cash and cash equivalents | 697,930 | 220,507 | 918,437 |
| Special assessments, current | 1,708 | 9,768 | 11,476 |
| Special assessments receivable, deferred | 48,375 | 62,182 | 110,557 |
| Capital assets, net | <u>8,667,848</u> | <u>2,552,061</u> | <u>11,219,909</u> |
| Total noncurrent assets | <u>9,415,861</u> | <u>2,844,518</u> | <u>12,260,379</u> |
| Total assets | <u>9,627,245</u> | <u>3,909,255</u> | <u>13,536,500</u> |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Proprietary Funds
Statement of Net Assets
December 31, 2007

| | Enterprise Funds | | |
|---|---------------------|---------------------|---------------------|
| | Sewer | Water | Total |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 23,884 | \$ 86,655 | \$ 110,539 |
| Accrued and other liabilities | 55,475 | 119,638 | 175,113 |
| Due to other funds | 199,262 | 256,700 | 455,962 |
| Current portion of noncurrent liabilities | <u>461,000</u> | <u>117,334</u> | <u>578,334</u> |
| Total current liabilities | <u>739,621</u> | <u>580,327</u> | <u>1,319,948</u> |
| Noncurrent liabilities | | | |
| Long-term debt net of current portion | <u>3,346,000</u> | <u>332,163</u> | <u>3,678,163</u> |
| Total liabilities | <u>4,085,621</u> | <u>912,490</u> | <u>4,998,111</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 4,860,848 | 2,552,061 | 7,412,909 |
| Restricted for: | | | |
| Debt service | 525,955 | - | 525,955 |
| Capital projects | 171,975 | 220,507 | 392,482 |
| Unrestricted (deficit) | <u>(17,154)</u> | <u>224,197</u> | <u>207,043</u> |
| Total net assets | <u>\$ 5,541,624</u> | <u>\$ 2,996,765</u> | <u>\$ 8,538,389</u> |

Buena Vista Charter Township
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended December 31, 2007

| | Enterprise Funds | | |
|--|---------------------|---------------------|---------------------|
| | Sewer | Water | Total |
| Operating revenue | | | |
| Customer fees | \$ 546,625 | \$ 1,080,817 | \$ 1,627,442 |
| Connection fees | - | 32,784 | 32,784 |
| Other revenue | 2,078 | 27,766 | 29,844 |
| Total operating revenue | 548,703 | 1,141,367 | 1,690,070 |
| Operating expenses | | | |
| Personnel services | 324,026 | 261,560 | 585,586 |
| Supplies | 70,456 | 504,596 | 575,052 |
| Contractual services | 231,212 | 135,573 | 366,785 |
| Utilities | 123,761 | 11,676 | 135,437 |
| Repairs and maintenance | 42,283 | 124,271 | 166,554 |
| Other expenses | 35,037 | 26,066 | 61,103 |
| Depreciation | 303,626 | 108,356 | 411,982 |
| Total operating expenses | 1,130,401 | 1,172,098 | 2,302,499 |
| Operating income (loss) | (581,698) | (30,731) | (612,429) |
| Nonoperating revenue (expenses) | | | |
| Debt service charges | 605,428 | - | 605,428 |
| Interest income | 42,157 | 27,449 | 69,606 |
| Interest expense | (91,234) | (17,208) | (108,442) |
| Total nonoperating revenues (expenses) | 556,351 | 10,241 | 566,592 |
| Change in net assets | (25,347) | (20,490) | (45,837) |
| Net assets - beginning of year | 5,566,971 | 3,017,255 | 8,584,226 |
| Net assets - end of year | \$ 5,541,624 | \$ 2,996,765 | \$ 8,538,389 |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2007

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|--|--|-------------------|---------------------|
| | <u>Sewer</u> | <u>Water</u> | <u>Total</u> |
| Cash flows from operating activities | | | |
| Receipts from customers | \$ 566,296 | \$ 1,012,318 | \$ 1,578,614 |
| Receipts from other funds | 147,547 | 38,489 | 186,036 |
| Payments to other funds | (700) | (4,025) | (4,725) |
| Payments to suppliers | (519,964) | (800,376) | (1,320,340) |
| Payments to employees | <u>(324,026)</u> | <u>(261,560)</u> | <u>(585,586)</u> |
| Net cash used by operating activities | <u>(130,847)</u> | <u>(15,154)</u> | <u>(146,001)</u> |
| Cash flows from capital and related financing activities | | | |
| Proceeds from capital debt | 605,428 | - | 605,428 |
| Proceeds from special assessments | 473 | 79,886 | 80,359 |
| Purchases/construction of capital assets | - | (49,074) | (49,074) |
| Principal and interest paid on long-term debt | <u>(547,234)</u> | <u>(133,541)</u> | <u>(680,775)</u> |
| Net cash provided (used) by capital and related financing activities | <u>58,667</u> | <u>(102,729)</u> | <u>(44,062)</u> |
| Cash flows from investing activities | | | |
| Interest received | <u>42,157</u> | <u>27,449</u> | <u>69,606</u> |
| Net change in cash and cash equivalents | (30,023) | (90,434) | (120,457) |
| Cash and cash equivalents - beginning of year | <u>756,927</u> | <u>594,730</u> | <u>1,351,657</u> |
| Cash and cash equivalents - end of year | <u>\$ 726,904</u> | <u>\$ 504,296</u> | <u>\$ 1,231,200</u> |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2007

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|--|--|--------------------|---------------------|
| | <u>Sewer</u> | <u>Water</u> | <u>Total</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ (581,698) | \$ (30,731) | \$ (612,429) |
| Adjustments to reconcile operating income to net cash from operating activities | | | |
| Depreciation expense | 303,626 | 108,356 | 411,982 |
| Changes in assets and liabilities | | | |
| Receivables (net) | 17,593 | (129,049) | (111,456) |
| Due from other funds | (700) | (4,025) | (4,725) |
| Inventories | - | (7,846) | (7,846) |
| Prepaid items | (586) | - | (586) |
| Accounts payable | (14,968) | 8,246 | (6,722) |
| Accrued and other liabilities | (1,661) | 1,406 | (255) |
| Due to other funds | 147,547 | 38,489 | 186,036 |
| Net cash used by operating activities | <u>\$ (130,847)</u> | <u>\$ (15,154)</u> | <u>\$ (146,001)</u> |

Buena Vista Charter Township
Agency Funds
Statement of Assets and Liabilities
December 31, 2007

| | <u>Delinquent Tax Collection Fund</u> | <u>Current Tax Collection Fund 2005</u> | <u>Current Tax Collection Fund 2006</u> | <u>Current Tax Collection Fund 2007</u> | <u>Payroll Fund</u> | <u>Total Agency Funds</u> |
|----------------------------------|---|---|---|---|-------------------------|-----------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ <u>148,103</u> | \$ <u>9,295</u> | \$ <u>-</u> | \$ <u>2,435,613</u> | \$ <u>34,488</u> | \$ <u>2,627,499</u> |
| Liabilities | | | | | | |
| Accrued and other liabilities | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>34,488</u> | \$ <u>34,488</u> |
| Due to other units of government | <u>148,103</u> | <u>9,295</u> | <u>-</u> | <u>2,435,613</u> | <u>-</u> | <u>2,593,011</u> |
| Total liabilities | \$ <u>148,103</u> | \$ <u>9,295</u> | \$ <u>-</u> | \$ <u>2,435,613</u> | \$ <u>34,488</u> | \$ <u>2,627,499</u> |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Buena Vista Charter Township is governed by an elected seven-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements include the financial data of the Township's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the Township. The members of the Governing Board of the Downtown Development Authority are appointed by the Board of Trustees. The budgets and expenditures of the Downtown Development Authority must be approved by the Board of Trustees. The Township also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the Buena Vista Charter Township annual financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate

component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the proceeds and disbursements for the operation of the government's fire protection system.

The Police Fund accounts for the proceeds and disbursements for the operation of the government's police protection system.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

Payroll Fund and Current Tax Collection Funds accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity

between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$231,877,787, on which ad valorem taxes consisted of 4.9618 mills for operating purposes, 2.0 mills for police and fire protection, and 1.0 mill for community center operations. This resulted in \$1,150,531 for operating expenses, \$463,756 for police and fire protection, and \$231,878 for community center operations, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash and cash equivalents.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

| | |
|---------------------------------------|----------------|
| Buildings, additions and improvements | 20 to 50 years |
| Water system | 25 to 50 years |
| Sewer system | 25 to 50 years |
| Machinery and equipment | 5 to 20 years |
| Vehicles | 5 to 8 years |

Compensated absences – Each full time employee receives an allotted amount of sick, vacation and personal time each year, and can carry forward an unlimited amount of vacation, sick and personal time. All accumulated sick, vacation and personal pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for terminations as of year end.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to September 1, the Township Supervisor submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to November 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Board of Trustees.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of Expenditures over Appropriations

The Township incurred expenditures in excess of budget in the following funds. Excess expenditures in these funds occurred in the following areas:

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

| | Final Budget | Actual | Excess |
|----------------|--------------|-----------|---------|
| General fund | | | |
| Supervisor | \$ 23,966 | \$ 24,806 | \$ 840 |
| Attorney | 60,000 | 88,387 | 28,387 |
| Capital outlay | 152,000 | 294,940 | 142,940 |
| Police Fund | | | |
| Public safety | 1,490,022 | 1,516,138 | 26,116 |
| Capital outlay | 25,000 | 34,419 | 9,419 |

Deficit Fund Balance/Net Assets

The Township has accumulated a fund balance deficit in the Police Fund. The deficit in the Police Fund is related to expenditures exceeding revenues in the current year. The 2008 Police Fund budget as adopted does not identify the deficit and does not currently eliminate the deficit. Management will be amending the current year budget to eliminate this deficit.

The Township has accumulated an unrestricted deficit in its Sewer Fund. The deficit has arisen due to operating expenses exceeding operating revenues. The rates were raised in the current year and management believes this will eliminate the deficit in 2008.

Note 3 - Deposits and Investments

Interest rate risk – In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the maturity of its investment within each investment category.

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States;

United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government's investment policy establishes limits on the amount of investment in any one issuer within each investment category as well as within the investment portfolio as a whole.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to them. As of December 31, 2007, \$ 5,540,001 of the Township's bank balance of \$ 5,946,876 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Receivables and Deferred Revenue

The only receivables not expected to be collected within one year are as follows:

| | Sewer | Water |
|---------------------------|-----------|-----------|
| Primary government | | |
| Special assessments | \$ 48,375 | \$ 62,182 |

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

| | <u>Unavailable</u> |
|---------------------------|----------------------------|
| Primary government | |
| Property taxes | <u><u>\$ 2,733,793</u></u> |
| Component unit | |
| Property taxes | <u><u>\$ 549,000</u></u> |

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-----------|-----------|-------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 60,000 | \$ - | \$ - | \$ 60,000 |
| Capital assets being depreciated | | | | |
| Buildings, additions and improvements | 3,965,091 | - | - | 3,965,091 |
| Machinery and equipment | 842,498 | 85,099 | - | 927,597 |
| Vehicles | 578,340 | 193,576 | - | 771,916 |
| Total capital assets being depreciated | 5,385,929 | 278,675 | - | 5,664,604 |
| Less accumulated depreciation for | | | | |
| Buildings, additions and improvements | 798,453 | 70,382 | - | 868,835 |
| Machinery and equipment | 369,209 | 83,557 | - | 452,766 |
| Vehicles | 400,359 | 71,019 | - | 471,378 |
| Total accumulated depreciation | 1,568,021 | 224,958 | - | 1,792,979 |
| Net capital assets being depreciated | 3,817,908 | 53,717 | - | 3,871,625 |
| Governmental activities capital assets, net | \$ 3,877,908 | \$ 53,717 | \$ - | \$ 3,931,625 |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 5,906 | \$ - | \$ - | \$ 5,906 |
| Capital assets being depreciated | | | | |
| Buildings, additions and improvements | 1,380,587 | - | - | 1,380,587 |
| Machinery and equipment | 501,512 | - | - | 501,512 |
| Vehicles | - | 49,074 | - | 49,074 |
| Water system | 3,873,743 | - | - | 3,873,743 |
| Sewer system | 13,274,058 | - | - | 13,274,058 |
| Total capital assets being depreciated | 19,029,900 | 49,074 | - | 19,078,974 |
| Less accumulated depreciation | | | | |
| Buildings, additions and improvements | 808,433 | 27,726 | - | 836,159 |
| Machinery and equipment | 373,324 | 3,492 | - | 376,816 |
| Vehicles | - | 4,600 | - | 4,600 |
| Water system | 1,685,634 | 91,528 | - | 1,777,162 |
| Sewer system | 4,585,598 | 284,636 | - | 4,870,234 |
| Total accumulated depreciation | 7,452,989 | 411,982 | - | 7,864,971 |
| Net capital assets being depreciated | 11,576,911 | (362,908) | - | 11,214,003 |
| Business-type capital assets, net | \$ 11,582,817 | \$ (362,908) | \$ - | \$ 11,219,909 |

Capital assets activity of the component unit for the current year was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------|-----------|-------------------|
| Component Unit | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 33,287 | \$ - | \$ - | \$ 33,287 |
| Construction in progress | 147,674 | 203,954 | 49,400 | 302,228 |
| Total capital assets not being depreciated | 180,961 | 203,954 | 49,400 | 335,515 |
| Capital assets being depreciated | | | | |
| Land improvements | - | 167,951 | - | 167,951 |
| Component unit capital assets, net | \$ 180,961 | \$ 371,905 | \$ 49,400 | \$ 503,466 |

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

| | |
|-------------------------------|----------------|
| General government | \$ 56,239 |
| Public safety | 134,975 |
| Public works | <u>33,744</u> |
| Total governmental activities | <u>224,958</u> |

Business-type activities

| | |
|-------|----------------|
| Sewer | 303,626 |
| Water | <u>108,356</u> |

| | |
|--------------------------------|----------------|
| Total business-type activities | <u>411,982</u> |
|--------------------------------|----------------|

| | |
|--------------------------|--------------------------|
| Total primary government | <u><u>\$ 636,940</u></u> |
|--------------------------|--------------------------|

recorded in the accounting system, and 3) payments between funds are made.

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-------------------|
| DDA | General Fund | <u>\$ 164,628</u> |

Note 6 - Interfund Receivables, Payable, and Transfers

The composition of interfund balances is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|--------------------------|
| General Fund | Non major funds | \$ 5,968 |
| General Fund | Police Fund | 48,095 |
| General Fund | Sewer Fund | 199,262 |
| General Fund | Water Fund | 74,876 |
| Fire Fund | General Fund | 102,621 |
| Sewer Fund | Water Fund | 181,824 |
| Water Fund | General Fund | 216,183 |
| Non major funds | General Fund | <u>18,749</u> |
| | | <u><u>\$ 847,578</u></u> |

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

Note 7 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

Long-term obligation activity is summarized as follows:

| | Amount of Issue | Maturity Date | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|--------------------|------------------|----------------------------|---------------------------------|----------------------|---------------------|-------------------|---------------------|------------------------|
| Governmental activities | | | | | | | | | |
| General obligation bonds | | | | | | | | | |
| 2007 General obligation bonds | \$ 3,000,000 | 4/1/32 | 8.00% | \$45,000-\$275,000 | \$ - | \$ 3,000,000 | \$ - | \$ 3,000,000 | \$ - |
| Installment purchase agreements | | | | | | | | | |
| 2007 Equipment loan | 254,050 | 4/1/10 | 4.620% | 7,569 - 7540 | - | 254,050 | 54,425 | 199,625 | 83,315 |
| Fire apparatus | 299,924 | 5/25/12 | 4.570% | 29,992 | 179,951 | - | 29,992 | 149,959 | 29,992 |
| Compensated absences | | | | | 289,000 | 21,000 | - | 310,000 | - |
| Total governmental activities | | | | | <u>\$ 468,951</u> | <u>\$ 3,275,050</u> | <u>\$ 84,417</u> | <u>\$ 3,659,584</u> | <u>\$ 113,307</u> |
| Business-type activities | | | | | | | | | |
| Limited tax obligation bonds | | | | | | | | | |
| 1999 Sewage disposal system | \$ 275,000 | 10/1/18 | 4.75%-5.40% | \$10,000-\$25,000 | \$ 215,000 | \$ - | \$ 10,000 | \$ 205,000 | \$ 10,000 |
| 1993 Sewage disposal system | 5,620,000 | 10/1/13 | 2.00% | 230,000-255,000 | 1,700,000 | - | 230,000 | 1,470,000 | 230,000 |
| General obligation bonds | | | | | | | | | |
| 1989 Water improvement | 1,050,000 | 5/1/09 | 3.00%-7.10% | 75,000 | 225,000 | - | 75,000 | 150,000 | 75,000 |
| 1995 Watermain extension | 313,858 | 5/5/10 | 5.55% | 26,000-27,000 | 94,830 | - | 25,000 | 69,830 | 26,000 |
| 1994 Sewage disposal system | 4,570,000 | 10/1/16 | 2.00% | 210,000-245,000 | 2,260,000 | - | 205,000 | 2,055,000 | 210,000 |
| Installment purchase agreements | | | | | | | | | |
| 2003 Watermain extension | 95,000 | 5/1/18 | 4.20% | 6,333-6,334 | 76,000 | - | 6,333 | 69,667 | 6,334 |
| Delphi watermain | 170,000 | 5/1/20 | 4.85% | 10,000-15,000 | 170,000 | - | 10,000 | 160,000 | 10,000 |
| Sewer effluent pumps | 110,000 | 5/1/14 | 3.88% | 11,000 | 88,000 | - | 11,000 | 77,000 | 11,000 |
| Total business-type activities | | | | | <u>\$ 4,828,830</u> | <u>\$ -</u> | <u>\$ 572,333</u> | <u>\$ 4,256,497</u> | <u>\$ 578,334</u> |
| Component unit | | | | | | | | | |
| General obligation bonds | | | | | | | | | |
| Installment loan | \$ 220,807 | 12/1/15 | 0.00% | \$11,040 | \$ 99,364 | \$ - | \$ 11,040 | \$ 88,324 | \$ 11,040 |

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

Annual debt service requirements to maturity for the above obligations are as follows:

| Year Ending December 31, | Governmental Activities | | Business-type Activities | |
|-----------------------------|-------------------------|---------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 113,307 | \$ 106,076 | \$ 578,334 | \$ 103,112 |
| 2009 | 117,238 | 130,857 | 594,333 | 87,607 |
| 2010 | 104,056 | 125,455 | 519,163 | 74,220 |
| 2011 | 79,992 | 120,941 | 517,334 | 62,312 |
| 2012 | 84,991 | 117,571 | 522,333 | 50,881 |
| 2013 - 2017 | 350,000 | 544,000 | 1,448,667 | 105,417 |
| 2018 - 2022 | 530,000 | 461,200 | 76,333 | 4,846 |
| 2023 - 2027 | 790,000 | 335,800 | - | - |
| 2028 - 2032 | 1,180,000 | 149,200 | - | - |
| | <u>\$ 3,349,584</u> | <u>\$ 2,091,100</u> | <u>\$ 4,256,497</u> | <u>\$ 488,395</u> |

Component unit maturities are as follows:

| Year Ending December 31, | Principal |
|-----------------------------|------------------|
| 2008 | \$ 11,040 |
| 2009 | 11,041 |
| 2010 | 11,040 |
| 2011 | 11,040 |
| 2012 | 11,040 |
| 2013 - 2017 | <u>33,123</u> |
| | <u>\$ 88,324</u> |

Note 8 - Bond Issuance

During the year the Township issued \$3,000,000 of general obligation limited tax bonds to procure land on behalf of the Charter Township of Buena Vista - Downtown Development Authority. The Authority has

guaranteed the bond payments which will be repaid through tax capture and the subsequent sale of the land.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all employee health care and workers' compensation claims. Settled claims relating to the commercial insurance has not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Township is self insured for vision insurance through Mutual Eye Claim Audits, Inc. (MECA). This plan covers all full time employees and their families once that employee has completed 30 days of employment. The plan covers all customary examinations, and lenses. The plan pays up to \$75 for frames or up to \$170 for contact lenses. Adult participants may make claims once in every twenty-four consecutive months, and children may make claims once every twelve consecutive months.

Note 10 - Employee Retirement and Benefit Systems

Defined benefit pension plan

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires a contribution from the employees of 6 percent of gross wages for General, and Police and Fire employees.

Annual pension costs – For year ended 2007, the government's annual pension cost of \$195,680 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Significant actuarial assumptions used include: 1) a 8% investment rate of return; 2) projected salary increases of 4.5% per year; and 3) 2.5% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2007 follows:

| | 2006 | 2005 | 2004 |
|---|------------|------------|------------|
| Annual pension cost | \$ 186,490 | \$ 173,274 | \$ 140,679 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Actuarial value of assets | 6,039,203 | 5,641,496 | 5,305,785 |
| Actuarial accrued liabilities | 7,469,101 | 7,316,283 | 6,677,032 |
| Unfunded AAL | 1,429,898 | 1,674,787 | 1,371,247 |
| Funded ratio | 81% | 77% | 79% |
| Covered payroll | 1,258,310 | 1,842,266 | 1,624,330 |
| UAAL as a percentage of covered payroll | 88% | 110% | 84% |

Note 11 - Deferred Compensation Plan

The Township offers all its full time employees a deferred compensation plan created in accordance with the Internal Revenue

Code, section 457. The assets of the plan were held in trust, as described in IRC section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the pay-as-you-go basis. The Township's cost of providing the health insurance benefits to retirees for 2007 was approximately \$47,000. There were nine participants at December 31, 2007.

Note 12 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 13 - Major Tax Payer

In October 2005, the Township's largest tax payer filed for voluntary petitions for reorganization under chapter 11 of the U.S. Bankruptcy Code and operates its business as debtors-in-possession. At the time of this report we are unable to measure the effect that this could have on the Township. These financial statements should be read with this fact in mind.

Note 14 - Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits other than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health-

Buena Vista Charter Township
Notes to Financial Statements
December 31, 2007

care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

The Government Accounting Standards Board has issued Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

The Government Accounting Standards Board has issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement addresses how to account for pollution remediation activities of the effects of existing pollution. It does not include prevention or control activities nor future remediation required upon retirement of an asset. In general, a liability will be recorded based on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for financial statements with periods ending after December 15, 2007. However,

measurement is required as of the beginning of the period.

Note 15 - Subsequent Event

In April of 2008, the Township received a low interest loan from the United States Department of Agriculture Rural Development for \$9,000,000. The proceeds of the loan will be used for sewer system upgrades and replacement of aging sewer lines. The loan will be paid through charges to users of the sewer system.

Buena Vista Charter Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2007

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 1,131,000 | \$ 1,131,000 | \$ 1,147,716 | \$ 16,716 |
| Other taxes | 57,500 | 57,500 | 30,958 | (26,542) |
| Penalties and interest | 3,000 | 3,000 | - | (3,000) |
| Administration fee | 141,400 | 141,400 | 125,720 | (15,680) |
| Licenses and permits | 215,445 | 215,445 | 186,157 | (29,288) |
| State revenue sharing | 959,439 | 959,439 | 930,403 | (29,036) |
| State grants | - | - | 16,736 | 16,736 |
| Local contributions | 30,600 | 30,600 | 30,600 | - |
| Charges for services | 838,087 | 838,087 | 886,316 | 48,229 |
| Fines and forfeitures | 4,800 | 4,800 | 150 | (4,650) |
| Interest income | 25,000 | 25,000 | 108,402 | 83,402 |
| Other revenue | 36,000 | 36,000 | 24,601 | (11,399) |
| Sale of fixed assets | 2,400 | 2,400 | - | (2,400) |
| Bond and capital lease proceeds | - | - | 3,254,050 | 3,254,050 |
| Total revenues | <u>3,444,671</u> | <u>3,444,671</u> | <u>6,741,809</u> | <u>3,297,138</u> |
| Expenditures | | | | |
| General government | | | | |
| Township board | 43,527 | 43,527 | 35,090 | (8,437) |
| Supervisor | 23,966 | 23,966 | 24,806 | 840 |
| Manager | 222,492 | 222,492 | 212,171 | (10,321) |
| Accounting | 194,183 | 194,183 | 188,156 | (6,027) |
| Clerk | 42,775 | 42,775 | 42,487 | (288) |
| Board of review | 800 | 800 | 550 | (250) |
| Treasurer | 88,329 | 88,329 | 75,569 | (12,760) |
| Assessor | 64,601 | 64,601 | 63,751 | (850) |
| Elections | 53,450 | 53,450 | 40,239 | (13,211) |
| Buildings and grounds | 36,245 | 36,245 | 12,911 | (23,334) |
| Attorney | 60,000 | 60,000 | 88,387 | 28,387 |
| Cemetery | 1,500 | 1,500 | 381 | (1,119) |
| Total general government | <u>831,868</u> | <u>831,868</u> | <u>784,498</u> | <u>(47,370)</u> |

Buena Vista Charter Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2007

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|--|------------------|------------------|---------------------|---|
| | Original | Final | | |
| Public safety | | | | |
| Building inspection department | \$ 198,416 | \$ 198,416 | \$ 188,064 | \$ (10,352) |
| Public works | | | | |
| Sanitation | 705,216 | 705,216 | 676,460 | (28,756) |
| Community and economic development | | | | |
| Planning | 20,600 | 20,600 | 18,449 | (2,151) |
| Zoning | 1,500 | 1,500 | 451 | (1,049) |
| Total community and economic development | 22,100 | 22,100 | 18,900 | (3,200) |
| Recreation and culture | | | | |
| Recreation | 12,130 | 12,130 | 11,731 | (399) |
| Other functions | | | | |
| Data processing | 46,365 | 46,365 | 36,039 | (10,326) |
| Non departmental | 259,470 | 259,470 | 260,455 | 985 |
| Total other functions | 305,835 | 305,835 | 296,494 | (9,341) |
| Capital outlay | 152,000 | 152,000 | 294,940 | 142,940 |
| Debt service | | | | |
| Principal retirement | 20,000 | 20,000 | - | (20,000) |
| Transfers out | 1,007,648 | 1,007,648 | 1,007,648 | - |
| Total expenditures | 3,255,213 | 3,255,213 | 3,278,735 | 23,522 |
| Excess of revenues over expenditures | 189,458 | 189,458 | 3,463,074 | 3,273,616 |
| Fund balance (deficit) - beginning of year | (113,098) | (113,098) | (113,098) | - |
| Fund balance - end of year | \$ 76,360 | \$ 76,360 | \$ 3,349,976 | \$ 3,273,616 |

Buena Vista Charter Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended December 31, 2007

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|--------------------------------------|------------------|-------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 660,000 | \$ 660,000 | \$ 695,361 | \$ 35,361 |
| Charges for services | 42,200 | 42,200 | 44,506 | 2,306 |
| Transfers in | 238,026 | 238,026 | 238,026 | - |
| Total revenues | 940,226 | 940,226 | 977,893 | 37,667 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 820,233 | 820,233 | 789,997 | (30,236) |
| Capital outlay | 78,000 | 78,000 | 47,059 | (30,941) |
| Debt service | | | | |
| Principal retirement | 29,993 | 29,993 | 29,992 | (1) |
| Interest and fiscal charges | 12,000 | 12,000 | 8,224 | (3,776) |
| Total expenditures | 940,226 | 940,226 | 875,272 | (64,954) |
| Excess of revenues over expenditures | - | - | 102,621 | 102,621 |
| Fund balance - beginning of year | - | - | - | - |
| Fund balance - end of year | \$ - | \$ - | \$ 102,621 | \$ 102,621 |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended December 31, 2007

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|------------------|-------------|--------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 665,000 | \$ 665,000 | \$ 695,361 | \$ 30,361 |
| Charges for services | 80,400 | 80,400 | 53,396 | (27,004) |
| Transfers in | 769,622 | 769,622 | 769,622 | - |
| Total revenues | 1,515,022 | 1,515,022 | 1,518,379 | 3,357 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 1,490,022 | 1,490,022 | 1,516,138 | 26,116 |
| Capital outlay | 25,000 | 25,000 | 34,419 | 9,419 |
| Total expenditures | 1,515,022 | 1,515,022 | 1,550,557 | 35,535 |
| Excess (deficiency) of revenues over expenditures | - | - | (32,178) | (32,178) |
| Fund balance - beginning of year | - | - | - | - |
| Fund balance (deficit) - end of year | \$ - | \$ - | \$ (32,178) | \$ (32,178) |

See Accompanying Notes to Financial Statements

Buena Vista Charter Township
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|---|------------------------------|---------------------------------|--|
| | Community Development Block Grant | Drain Maintenance Fund | Parks and Recreation Fund | |
| Assets | | | | |
| Cash and cash equivalents | \$ 5,289 | \$ 168,151 | \$ - | \$ 173,440 |
| Receivables | | | | |
| Taxes | - | - | 228,000 | 228,000 |
| Due from other funds | - | - | 18,749 | 18,749 |
| Total assets | <u>\$ 5,289</u> | <u>\$ 168,151</u> | <u>\$ 246,749</u> | <u>\$ 420,189</u> |
| Liabilities | | | | |
| Due to other funds | \$ 5,289 | \$ 300 | \$ 379 | \$ 5,968 |
| Deferred revenue | - | - | 228,000 | 228,000 |
| Total liabilities | <u>5,289</u> | <u>300</u> | <u>228,379</u> | <u>233,968</u> |
| Fund balances | <u>-</u> | <u>167,851</u> | <u>18,370</u> | <u>186,221</u> |
| Total liabilities and fund balances | <u>\$ 5,289</u> | <u>\$ 168,151</u> | <u>\$ 246,749</u> | <u>\$ 420,189</u> |

Buena Vista Charter Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2007

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--------------------------------------|---|------------------------------|---------------------------------|--|
| | Community Development Block Grant | Drain Maintenance Fund | Parks and Recreation Fund | |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 233,543 | \$ 233,543 |
| Charges for services | - | - | 107,957 | 107,957 |
| Interest income | <u>1,559</u> | <u>8,414</u> | <u>-</u> | <u>9,973</u> |
| Total revenues | <u>1,559</u> | <u>8,414</u> | <u>341,500</u> | <u>351,473</u> |
| Expenditures | | | | |
| Current | | | | |
| Health and welfare | 1,559 | - | - | 1,559 |
| Recreation and culture | <u>-</u> | <u>-</u> | <u>323,130</u> | <u>323,130</u> |
| Total expenditures | <u>1,559</u> | <u>-</u> | <u>323,130</u> | <u>324,689</u> |
| Excess of revenues over expenditures | - | 8,414 | 18,370 | 26,784 |
| Fund balance - beginning of year | <u>-</u> | <u>159,437</u> | <u>-</u> | <u>159,437</u> |
| Fund balance - end of year | <u><u>\$ -</u></u> | <u><u>\$ 167,851</u></u> | <u><u>\$ 18,370</u></u> | <u><u>\$ 186,221</u></u> |

Buena Vista Charter Township
Other Supplemental Information
Component Unit - Downtown Development Authority
Budgetary Comparison Schedule
For the Year Ended December 31, 2007

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 481,000 | \$ 481,000 | \$ 429,354 | \$ (51,646) |
| Interest income | 25,000 | 25,000 | 44,071 | 19,071 |
| Rental income | 10,000 | 10,000 | - | (10,000) |
| | | | | |
| Total revenues | 516,000 | 516,000 | 473,425 | (42,575) |
| Expenditures | | | | |
| Current | | | | |
| Community and economic development | 102,950 | 102,950 | 126,352 | 23,402 |
| Capital outlay | 352,500 | 352,500 | 394,228 | 41,728 |
| Debt service | | | | |
| Principal retirement | 40,000 | 40,000 | 11,040 | (28,960) |
| Interest and fiscal charges | 1,350 | 1,350 | - | (1,350) |
| | | | | |
| Total expenditures | 496,800 | 496,800 | 531,620 | 34,820 |
| | | | | |
| Excess (deficiency) of revenues over expenditures | 19,200 | 19,200 | (58,195) | (77,395) |
| | | | | |
| Fund balance - beginning of year | 932,640 | 932,640 | 932,640 | - |
| | | | | |
| Fund balance - end of year | \$ 951,840 | \$ 951,840 | \$ 874,445 | \$ (77,395) |

Buena Vista Charter Township
Component Unit - Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007

Net change in fund balances - Total governmental funds \$ (58,195)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay 322,505

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Property taxes 99,000

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt 11,040

Change in net assets of governmental activities \$ 374,350

-

Buena Vista Charter Township
Other Supplemental Information
Schedule of Indebtedness
December 31, 2007

| | Interest Rate | Date of Maturity | Amount of Annual Maturity | Outstanding December 31, 2007 |
|--------------------------------------|------------------|---------------------|---------------------------------|-------------------------------------|
| Governmental activities | | | | |
| Installment purchase agreement | | | | |
| Fire apparatus | 4.57% | 5/25/2008 | \$ 29,992 | \$ 29,992 |
| | 4.57% | 5/25/2009 | 29,992 | 29,992 |
| | 4.57% | 5/25/2010 | 29,992 | 29,992 |
| | 4.57% | 5/25/2011 | 29,992 | 29,992 |
| | 4.57% | 5/25/2012 | 29,991 | 29,991 |
| | | | | <u>\$ 149,959</u> |
| 2007 Equipment note | 4.62% | 2008 | 83,315 | \$ 83,315 |
| | 4.62% | 2009 | 87,246 | 87,246 |
| | 4.62% | 2010 | 29,064 | 29,064 |
| | | | | <u>\$ 199,625</u> |
| General obligation bonds | | | | |
| 2007 Town Center Redevelopment Bonds | 8.00% | 04/01/08 | - | \$ - |
| | 8.00% | 04/01/09 | - | - |
| | 8.00% | 04/01/10 | 45,000 | 45,000 |
| | 8.00% | 04/01/11 | 50,000 | 50,000 |
| | 8.00% | 04/01/12 | 55,000 | 55,000 |
| | 8.00% | 04/01/13 | 60,000 | 60,000 |
| | 8.00% | 04/01/14 | 65,000 | 65,000 |
| | 8.00% | 04/01/15 | 70,000 | 70,000 |
| | 8.00% | 04/01/16 | 75,000 | 75,000 |
| | 8.00% | 04/01/17 | 80,000 | 80,000 |
| | 8.00% | 04/01/18 | 90,000 | 90,000 |
| | 8.00% | 04/01/19 | 95,000 | 95,000 |
| | 8.00% | 04/01/20 | 105,000 | 105,000 |
| | 8.00% | 04/01/21 | 115,000 | 115,000 |
| | 8.00% | 04/01/22 | 125,000 | 125,000 |
| | 8.00% | 04/01/23 | 135,000 | 135,000 |
| | 8.00% | 04/01/24 | 145,000 | 145,000 |
| | 8.00% | 04/01/25 | 155,000 | 155,000 |
| | 8.00% | 04/01/26 | 170,000 | 170,000 |
| | 8.00% | 04/01/27 | 185,000 | 185,000 |
| | 8.00% | 04/01/28 | 200,000 | 200,000 |
| | 8.00% | 04/01/29 | 215,000 | 215,000 |
| | 8.00% | 04/01/30 | 235,000 | 235,000 |
| | 8.00% | 04/01/31 | 255,000 | 255,000 |
| | 8.00% | 04/01/32 | 275,000 | 275,000 |
| | | | | <u>\$ 3,000,000</u> |
| Total governmental activities | | | | <u>\$ 3,349,584</u> |

Buena Vista Charter Township
Other Supplemental Information
Schedule of Indebtedness
December 31, 2007

| | Interest Rate | Date of Maturity | Amount of Annual Maturity | Outstanding December 31, 2007 |
|-----------------------------|------------------|---------------------|---------------------------------|-------------------------------------|
| Business-type activities | | | | |
| Limited tax obligations | | | | |
| 1999 Sewage disposal system | 4.80% | 10/1/2008 | \$ 10,000 | \$ 10,000 |
| | 4.90% | 10/1/2009 | 10,000 | 10,000 |
| | 5.00% | 10/1/2010 | 10,000 | 10,000 |
| | 5.05% | 10/1/2011 | 15,000 | 15,000 |
| | 5.10% | 10/1/2012 | 15,000 | 15,000 |
| | 5.15% | 10/1/2013 | 20,000 | 20,000 |
| | 5.20% | 10/1/2014 | 25,000 | 25,000 |
| | 5.25% | 10/1/2015 | 25,000 | 25,000 |
| | 5.30% | 10/1/2016 | 25,000 | 25,000 |
| | 5.35% | 10/1/2017 | 25,000 | 25,000 |
| | 5.40% | 10/1/2018 | 25,000 | 25,000 |
| | | | | <u>\$ 205,000</u> |
| 1993 Sewage disposal system | 2.00% | 10/1/2008 | 230,000 | \$ 230,000 |
| | 2.00% | 10/1/2009 | 240,000 | 240,000 |
| | 2.00% | 10/1/2010 | 245,000 | 245,000 |
| | 2.00% | 10/1/2011 | 250,000 | 250,000 |
| | 2.00% | 10/1/2012 | 250,000 | 250,000 |
| | 2.00% | 10/1/2013 | 255,000 | 255,000 |
| | | | | <u>\$ 1,470,000</u> |
| Business-type activities | | | | |
| General obligation bonds | | | | |
| 1989 Water improvements | 6.625% | 5/1/2008 | 75,000 | \$ 75,000 |
| | 3.000% | 5/1/2009 | 75,000 | 75,000 |
| | | | | <u>\$ 150,000</u> |
| 1995 Watermain extension | 5.55% | 5/5/2008 | 26,000 | \$ 26,000 |
| | 5.55% | 5/5/2009 | 27,000 | 27,000 |
| | 5.55% | 5/5/2010 | 16,830 | 16,830 |
| | | | | <u>\$ 69,830</u> |
| 1994 Sewage disposal system | 2.00% | 10/1/2008 | 210,000 | \$ 210,000 |
| | 2.00% | 10/1/2009 | 215,000 | 215,000 |
| | 2.00% | 10/1/2010 | 220,000 | 220,000 |
| | 2.00% | 10/1/2011 | 225,000 | 225,000 |
| | 2.00% | 10/1/2012 | 230,000 | 230,000 |
| | 2.00% | 10/1/2013 | 235,000 | 235,000 |
| | 2.00% | 10/1/2014 | 235,000 | 235,000 |
| | 2.00% | 10/1/2015 | 240,000 | 240,000 |
| | 2.00% | 10/1/2016 | 245,000 | 245,000 |
| | | | | <u>\$ 2,055,000</u> |

Buena Vista Charter Township
Other Supplemental Information
Schedule of Indebtedness
December 31, 2007

| | Interest Rate | Date of Maturity | Amount of Annual Maturity | Outstanding December 31, 2007 |
|---------------------------------|------------------|---------------------|---------------------------------|-------------------------------------|
| Business-type activities | | | | |
| Installment purchase agreements | | | | |
| 2003 Watermain extension | 4.20% | 5/1/2008 | \$ 6,334 | \$ 6,334 |
| | 4.20% | 5/1/2009 | 6,333 | 6,333 |
| | 4.20% | 5/1/2010 | 6,333 | 6,333 |
| | 4.20% | 5/1/2011 | 6,334 | 6,334 |
| | 4.20% | 5/1/2012 | 6,333 | 6,333 |
| | 4.20% | 5/1/2013 | 6,333 | 6,333 |
| | 4.20% | 5/1/2014 | 6,334 | 6,334 |
| | 4.20% | 5/1/2015 | 6,333 | 6,333 |
| | 4.20% | 5/1/2016 | 6,333 | 6,333 |
| | 4.20% | 5/1/2017 | 6,334 | 6,334 |
| | 4.20% | 5/1/2018 | 6,333 | <u>6,333</u> |
| | | | | <u>\$ 69,667</u> |
| Delphi watermain | 4.85% | 5/1/2008 | 10,000 | \$ 10,000 |
| | 4.85% | 5/1/2009 | 10,000 | 10,000 |
| | 4.85% | 5/1/2010 | 10,000 | 10,000 |
| | 4.85% | 5/1/2011 | 10,000 | 10,000 |
| | 4.85% | 5/1/2012 | 10,000 | 10,000 |
| | 4.85% | 5/1/2013 | 10,000 | 10,000 |
| | 4.85% | 5/1/2014 | 10,000 | 10,000 |
| | 4.85% | 5/1/2015 | 15,000 | 15,000 |
| | 4.85% | 5/1/2016 | 15,000 | 15,000 |
| | 4.85% | 5/1/2017 | 15,000 | 15,000 |
| | 4.85% | 5/1/2018 | 15,000 | 15,000 |
| | 4.85% | 5/1/2019 | 15,000 | 15,000 |
| | 4.85% | 5/1/2020 | 15,000 | <u>15,000</u> |
| | | | | <u>\$ 160,000</u> |
| Sewer effluent pumps | 3.88% | 5/1/2008 | 11,000 | \$ 11,000 |
| | 3.88% | 5/1/2009 | 11,000 | 11,000 |
| | 3.88% | 5/1/2010 | 11,000 | 11,000 |
| | 3.88% | 5/1/2011 | 11,000 | 11,000 |
| | 3.88% | 5/1/2012 | 11,000 | 11,000 |
| | 3.88% | 5/1/2013 | 11,000 | 11,000 |
| | 3.88% | 5/1/2014 | 11,000 | <u>11,000</u> |
| | | | | <u>\$ 77,000</u> |
| Total business-type funds | | | | <u>\$ 4,256,497</u> |

Buena Vista Charter Township
Other Supplemental Information
Schedule of Indebtedness
December 31, 2007

| | | Interest Rate | Date of Maturity | Amount of Annual Maturity | Outstanding December 31, 2007 |
|--------------------------|--|------------------|---------------------|---------------------------------|-------------------------------------|
| Component unit | | | | | |
| General obligation bonds | | | | | |
| Installment loan | | 0.00% | 06/01/07 | \$ 2,760 | \$ 2,760 |
| | | 0.00% | 09/01/07 | 2,760 | 2,760 |
| | | 0.00% | 12/01/07 | 2,760 | 2,760 |
| | | 0.00% | 03/01/08 | 2,760 | 2,760 |
| | | 0.00% | 06/01/08 | 2,760 | 2,760 |
| | | 0.00% | 09/01/08 | 2,760 | 2,760 |
| | | 0.00% | 12/01/08 | 2,760 | 2,760 |
| | | 0.00% | 03/01/09 | 2,760 | 2,760 |
| | | 0.00% | 06/01/09 | 2,760 | 2,760 |
| | | 0.00% | 09/01/09 | 2,760 | 2,760 |
| | | 0.00% | 12/01/09 | 2,761 | 2,761 |
| | | 0.00% | 03/01/10 | 2,760 | 2,760 |
| | | 0.00% | 06/01/10 | 2,760 | 2,760 |
| | | 0.00% | 09/01/10 | 2,760 | 2,760 |
| | | 0.00% | 12/01/10 | 2,760 | 2,760 |
| | | 0.00% | 03/01/11 | 2,760 | 2,760 |
| | | 0.00% | 06/01/11 | 2,760 | 2,760 |
| | | 0.00% | 09/01/11 | 2,760 | 2,760 |
| | | 0.00% | 12/01/11 | 2,761 | 2,761 |
| | | 0.00% | 03/01/12 | 2,760 | 2,760 |
| | | 0.00% | 06/01/12 | 2,760 | 2,760 |
| | | 0.00% | 09/01/12 | 2,760 | 2,760 |
| | | 0.00% | 12/01/12 | 2,760 | 2,760 |
| | | 0.00% | 03/01/13 | 2,760 | 2,760 |
| | | 0.00% | 06/01/13 | 2,760 | 2,760 |
| | | 0.00% | 09/01/13 | 2,760 | 2,760 |
| | | 0.00% | 12/01/13 | 2,761 | 2,761 |
| | | 0.00% | 03/01/14 | 2,760 | 2,760 |
| | | 0.00% | 06/01/14 | 2,760 | 2,760 |
| | | 0.00% | 09/01/14 | 2,760 | 2,760 |
| | | 0.00% | 12/01/14 | 2,760 | 2,760 |
| | | 0.00% | 03/01/15 | 2,760 | 2,760 |
| | | 0.00% | 06/01/15 | 2,760 | 2,760 |
| | | 0.00% | 09/01/15 | 2,760 | 2,760 |
| | | 0.00% | 12/01/15 | 2,761 | 2,761 |
| Total component unit | | | | | <u>\$ 96,604</u> |



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May 16, 2008

Management and the Board of Trustees
Buena Vista Charter Township

We have completed our audit of the financial statements of Buena Vista Charter Township as of and for the year ended December 31, 2007 and have issued our report dated May 16, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I Communication of Internal Control Matters Identified During the Audit
- II Auditor's Communication of Significant Matters with Those Charged with Governance
- III Management Comments

We discussed these matters with various personnel in the organization during the audit and are currently scheduled to meet with the Board on May 27, 2008. We would also be pleased to meet with again you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Trustees, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Saginaw, Michigan

Appendix 1

Communication of Internal Control Matters Identified During an Audit

In planning and performing our audit of the financial statements of Buena Vista Charter Township as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Buena Vista Charter Township internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

FUND DEFICITS AND BUDGETING

At the end of the prior year, the Township had accumulated a deficit fund balance in the General Fund. The Township filed the deficit elimination plan immediately, and through good management of expenditures and monitoring the budget the manager and the department heads reduced costs across the board and this deficit was eliminated in 2007.

During the current year, the Township accumulated an unrestricted net asset deficit in the Sewer Fund. The Township did increase the rate during the current year which has limited the deficit. It is crucial for the Township to address this issue and make sure the current rate is sufficient to eliminate this deficit position. Management believes that the current 2008 Sewer Fund budget will eliminate this deficit. We encourage the Township Board and management to use the budget and review the budget regularly to use the assets of the government more efficiently and effectively.

Also during the current year, the Township set up new funds to better monitor its individual tax levies and cost centers (Police Fund, Fire Fund, and the Park and Recreation Fund), and we felt this is a good way for the Township to monitor its larger cost centers. However in the current year the Police Fund ended with a small fund balance deficit. The amount is about 2% of total police operations and the adopted 2008 Police Fund budget does not eliminate this deficit. We recommend that management amend the 2008 budget and evaluate how best to eliminate this deficit in the current year.

UNCOLLECTED PERSONAL PROPERTY TAX

Again in the current year, we noted that very little monies were collected on delinquent personal property taxes for prior years. The Township is currently not pursuing tax collections from those members of the community. We encourage the Treasurers Department to issue letters to the delinquent property owners and follow up to collect this money that belongs to not only the Township, but also other governments and school districts.

PROPERTY TAX FUNDS

Again in the current year, we found that property tax funds were not being distributed timely as required by State law. In addition, the current tax fund information was not being reconciled on a timely basis as information was not being provided to Fiscal Services. We also found that several weeks of time had passed between when certain checks were written and when they cleared the bank, which indicates that several checks were either back dated or not distributed to the recipients timely. We strongly believe that timely distributions are a must and that reconciliations of tax fund bank accounts should be completed within a month of receiving the statement.

We strongly recommend that the Township look at the structure in the Treasurer's Department and make every effort to improve the operations as it relates to tax collections and distributions. The tax collections must be distributed in accordance with State law and the need for timely reconciliations is pretty clear. The Township Board and management should consider whether it might be more beneficial to have a third party administer the tax collections and distributions as has been done in the past when repeat issues have occurred in this area.

SEPARATION OF DUTIES

We are sensitive to the fact that the Township has limited resources. Even within small organizations there is the ability to gain some level of separation of duties. We recommend that a certain minimum separation of duties be implemented to increase the effectiveness of internal controls within the Treasurer's Department. These procedures will help prevent human errors as well as act as a deterrent to potential fraud.

We suggest that a second signature be added to all tax fund bank accounts, and they be handled just like all other checks that the Township processes. We further suggest that the tax collection funds be recorded and distributed through the Township's normal accounting record keeping system

In addition, we feel that an individual outside of the Treasurer's Department should receive the bank statements directly unopened and review them for irregularities and tracing checks and other transactions to support on a monthly basis. It is essential to review monthly reconciliations for proper accounting and ensure that the collections and disbursements from the tax collections funds are timely.

BANK ACCOUNTS

Over the past several years, the Township closed a number of funds due mostly to tax levies and special assessments coming to an end and the need for separate funds having passed. In many cases, these bank accounts still remain open with minor balances that should have been transferred and closed, but these accounts still remain open. This causes staff to continue to work with these accounts monthly causing more meaningless paperwork and is an inefficient use of staff time. In our opinion, there appears to be a lack of communication between the Treasurer's Department and Fiscal Services as it relates to bank accounts and other matters as noted above. These departments must interact effectively with each other under the current structure of the Township.

We feel that the Fiscal Services Department should be able to recommend that certain accounts be closed and that the Treasurer's Department should close those accounts. The Fiscal Services Department reconciles all of the accounts and should be given inquiry only status on all Township bank accounts to more efficiently perform their jobs. In addition, we continue to recommend that more memorandums be written to provide a trail of requested information as it relates to one side not providing required information to the other.

TAX FUND RECONCILIATIONS

The total tax levy funds that account for the summer and winter tax collections are reconciled in total once a year after all tax collections are settled with the County. The bank accounts for these funds are reconciled monthly. For example, the 2006 tax levy (taxes were collected in July 2006 through June 2007), was reconciled in March 2008. If the Township continues to monitor these funds in this manner no one will be looking at the 2007 levy until the winter of 2009.

We recommend that as soon as the 2007 tax fund is settled with Saginaw County that Fiscal Services perform a reconciliation of the tax fund and make sure that all of the funds were distributed to the proper tax receiving units in a timely fashion. This will help improve the overall financial reporting of the Township and will make closing out those funds much easier for all staff involved.

Appendix 2
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters on December 1, 2007.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered During the Audit - None

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments as applicable. Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditor's report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix 3 Management Comments

In planning and performing our audit of the financial statements of Buena Vista Charter Township as of and for the year ended December 31, 2007, we considered Buena Vista Charter Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date May 16, 2008, on the financial statements of Buena Vista Charter Township. Our comments and recommendations regarding those matters are:

INTERNAL CONTROL DOCUMENTATION

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

CREDIT CARDS

We understand that the Township uses credit and purchasing cards to assist in the ease of purchasing and operation of the Township. The cards however, expose the Township to risks of misuse and a lack of documentation. As part of our audit, we reviewed several credit card statements and purchase receipts to understand the controls over these purchases. During our review of those statements we noted that finance charges and late fees were being assessed due to late payments. We encourage the Township to pay credit cards timely and limit the use of credit cards. Additionally, it was noted that the Michigan State Police is investigating allegations of improper credit card usage. There is no additional information available as of the date of our report.

NEW ACCOUNTING AND AUDITING STANDARDS

There are several new accounting and auditing standards issued that will affect the Township. Most notably Financial Accounting Standard #45 – Financial Reporting for Post Retirement Benefit Plans Other Than Pension Plans. The Township currently pays for retiree post retirement benefits for nine former employees on a pay as you go basis. Under this new standard the Township would have to begin recognizing this obligation in the 2009 calendar year.